

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**  
**NASHVILLE, TENNESSEE**

**JULY 5, 2000**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF ANTIOCH WATER</b>	)	<b>DOCKET NO. 99-00584</b>
<b>COMPANY TO INCREASE ITS RATES</b>	)	

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**ORDER HOLDING IN ABEYANCE DECISION ON PETITION  
PENDING COMPLIANCE BY ANTIOCH WATER COMPANY**

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This matter came before the Authority for consideration of the Petition of Antioch Water Company ("Antioch") to increase its rates. Antioch's Petition was considered at a Hearing on May 9, 2000.

**Antioch's Petition**

On August 11, 1999, Antioch filed its Petition with the Authority. Attached to the Petition is the pre-filed testimony of Antioch's partners, Randy Allen and Ted R. Fields, as well as that of Jerry Bailey, an accountant. The Petition states that Antioch is a utility company with its principal place of business located at 11230 Highway 79 North, Buchanan, Tennessee 38222. Mr. Allen and Mr. Fields acquired the Antioch system in 1993. Antioch was granted its original Certificate of Public Convenience and Necessity ("CCN") by the Tennessee Public Service Commission ("TPSC") on April 16, 1996. Antioch serves approximately 245 residential customers in Henry County. Antioch's approved rate for water service is currently a flat rate of \$15.00 per month.

Antioch's Petition asserts that financial statements project a loss for 1999 and that numerous improvements are also necessary which will cost a total of approximately \$123,500.00. Antioch's partners also propose to begin receiving an annual salary from Antioch of \$22,720.00

each. On this basis, Antioch asks the Authority to approve a rate increase to a flat monthly rate of \$36.30, representing a 142% increase, and an increase in tap fees from \$500.00 to \$1,000.00.

### **Antioch's Hearing**

A Hearing in this matter was originally scheduled for March 14, 2000. At Antioch's request, the Hearing was postponed. This matter ultimately came before the Authority at a Hearing on May 9, 2000. In response to the Public Notice of the Hearing, several ratepayers requested to and did appear at the Hearing on May 9, 2000.

At the Hearing, Antioch presented the testimony of Mr. Allen, Mr. Fields, and Mr. Bailey. These witnesses were questioned by the Directors, counsel for Antioch, and the Authority staff. They were also questioned by Charles Robertson, John Young, and William Pitts, who appeared on behalf of several Antioch customers who were in attendance. Mr. Robertson also made a statement and answered questions from the Directors. In addition, the Antioch customers in attendance submitted petitions and letters concerning Antioch's Petition as well as a set of photographs of the Antioch system.

At the Hearing, Antioch's witnesses supported Antioch's need for a large rate increase through testimony demonstrating that Antioch would have difficulty meeting its obligations to its customers using its present rates. Antioch's witnesses also testified that Antioch must make numerous repairs to its system required by the State of Tennessee, including providing an alternative power supply, upgrading the chlorination system, providing a backup pump, and installing a larger compressor. Antioch also proposes to replace a large number of valves and water boxes to allow it to shut off its customers' water when necessary, but Antioch's witnesses admitted that replacing the valves and water boxes is not required by the State.

Several matters of concern became apparent during the Hearing regarding Antioch's conduct of business. In the TPSC's June 27, 1996 Order in TPSC Docket No. 95-03172, granting

Antioch a CCN, Antioch was ordered to keep its books and records in accordance with the Uniform System of Accounts for Class C water companies. It appeared from the testimony at Antioch's Hearing that Antioch has not done so. Mr. Bailey stated that the financial statement submitted with Antioch's Petition was not an audit but only represented information given to him by Antioch and put in the form of a financial statement. He admitted that he did not know whether Antioch keeps its books in compliance with regulatory requirements.

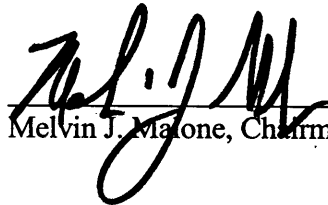
Concerns were also raised about a personal loan from Antioch to Mr. Fields. This loan was taken out approximately three years ago, it does not carry any interest, and Mr. Fields has made no repayments to Antioch on the principal amount.

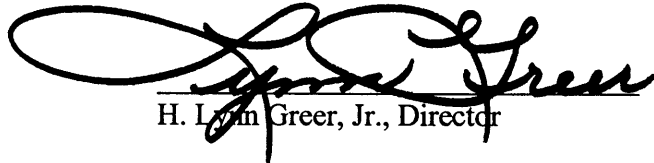
Antioch's customers expressed concern over the sufficiency of notice about the rate increase. Antioch put a notice of the increase in the local paper but only a short time before the Hearing date. The customers also noted a general lack of communication between Antioch and its customers. They expressed further concern and uncertainty about Antioch's cut-off policy and dissatisfaction with their water pressure, and they questioned the partners' practices with respect to reimbursement from Antioch for payment of the partners' expenses. Antioch has not retained an engineer to determine what is needed to improve its customers' water pressure.

The Authority determined that Antioch's Petition should be held in abeyance until three specific matters have been addressed. First, Antioch's partners are to submit to the Authority a loan repayment schedule showing how the loan to Mr. Fields is to be repaid, with interest, to Antioch. Second, Antioch is to retain an engineer and is to present the Authority an estimate of the costs of bringing Antioch into compliance with State requirements and providing adequate water pressure for its customers. Third, the Authority Staff is to perform a compliance audit of Antioch.

**IT IS THEREFORE ORDERED THAT:**

1. The Petition of Antioch Water Company for an increase in rates shall be held in abeyance;
2. Antioch's partners shall submit to the Authority a loan repayment schedule showing how the loan to Mr. Fields is to be repaid, with interest, to Antioch;
3. Antioch shall retain an engineer and shall present to the Authority a cost estimate for bringing Antioch into compliance with State requirements and providing adequate water pressure to its customers; and
4. The Authority Staff shall perform a compliance audit of Antioch.

  
Melvin J. Malone, Chairman

  
H. Lynn Greer, Jr., Director

  
Sara Kyle, Director

ATTEST:

  
K. David Waddell, Executive Secretary